

Message Text

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ACTION L-03

INFO OCT-01 AF-06 NEA-10 ISO-00 AID-05 CIAE-00 COME-00

EB-07 FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02

OPIC-03 SP-02 CIEP-01 LAB-04 SIL-01 OMB-01 FTC-01

JUSE-00 DODE-00 PM-04 H-02 NSC-05 PA-01 PRS-01 SS-15

STR-04 IO-10 DHA-02 /107 W
----- 072896

R 310832Z DEC 75

FM AMEMBASSY ABU DHABI

TO SECSTATE WASHDC 3715

INFO AMEMBASSY ALGIERS

AMEMBASSY AMMAN

AMEMBASSY NOUAKCHOTT

AMEMBASSY RABAT

AMEMBASSY SANA

AMEMBASSY TRIPOLI

AMEMBASSY TUNIS

AMEMBASSY BEIRUT

UNINT BAGHDAD 13

AMEMBASSY CAIRO

AMEMBASSY DAMASCUS

AMEMBASSY DOHA

AMEMBASSY JIDDA

AMEMBASSY KHARTOUM

AMEMBASSY KUWAIT

AMEMBASSY MANAMA

AMEMBASSY MOGADISCIO

AMEMBASSY MUSCAT

AMCONSUL JERUSALEM

AMEMBASSY TEL AVIV

C O N F I D E N T I A L SECTION 1 OF 2 ABU DHABI 2664

E.O. 11652: GDS

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TAGS : ETRD, EGEN, PFOR, TC

SUBJECT : UAE REACTION TO ANTI-BOYCOTT MEASURES: US CONTACTS WITH
BOYCOTT
AUTHORITIES

REF: A. ABU DHABI 2596; B. STATE 297810; C. KUWAIT 5209; D. STATE 2
98989;
E. STATE 275873; F. STATE 303017

1. SUMMARY: IN VIEW THIS EMBASSY (VIEW CLEARLY SHARED BY OTHER
AREA POSTS) RECENT ANTI-BOYCOTT ACTIONS IN US, UNLESS BLUNTED IN SOME
FASHION, ARE LIKELY HAVE SERIOUS CONSEQUENCES IN TERMS OUR COMMERCIAL
INTERESTS HERE. WE SEE NO LIKELIHOOD THAT CONFRONTATION TACTICS
STAND
ANY CHANCE OF WEAKENING BOYCOTT ITSELF. SHORT OF MOVEMENT ON
ARAB-ISRAEL ISSUE, QUEITLY ALLOWING COMMERCIAL SELF-INTERESTS OF ARAB
COUNTRIES WORK THEIR WAY, PERHAPS SUPPLEMENTED BY SELECTIVE DIALOGUE
WITH KEY GOVERNMENT OFFICIALS, IS IN OUR VIEW MOST EFFECTIVE OPTION
OPEN TO US. WE TEND TO DOUBT EFFICACY OF DEALING WITH BOYCOTT
OFFICIALS IN EFFORT TO AMELIORATE BOYCOTT. UAE OFFICIALS HAVE
RESPONDED
POSTIVELY TO OUR EXPLANATION OF SITUATION AND TO OUR REQUEST THAT
REACTIONS BE MUTED FOR PRESENT. BUT UNLESS RECENT MOVES AGAINST
BOYCOTT CAN BE BROUGHT BACK UNDER CAREFUL CONTROL BY USG, THIS WILL
BE ONLY TEMPORARY RESPITE. SINCE WE BELIEVE THERE IS MUCH AT STAKE
FOR US INTERESTS IN OIL-RICH ARAB STATES. WE URGE DEPARTMENT TO

EXERT MAXIMUM LEADERSHIP WITH OTHER US AGENCIES ON THIS ISSUE.
RECENT "CLARIFICATION" BY FRB (REF B) IS HOPEFUL SIGN. END SUMMARY.

2. OF VARIOUS ACTIONS (BOTH STATE AND FEDERAL), TWO LIKELY HAVE
MOST SERIOUS IMPACT FROM STANDPOINT OF COMMERCIAL ACTIVITIES
HERE ARE CLEARLY (A) EXTENSION OF ANTI-TRUST LEGISLATION TO ENCOM-
PASS US PRIVATE SECTOR PARTICIPATION IN SECONDARY BOYCOTT AND (B)
FRB DECISION. OUR REF A DEALT WITH CONSEQUENCES
OF FIRST OF THESE ACTIONS WHICH HITS PARTICULARLY HARD
AT US COMMERCIAL POSITION IN UAE BECAUSE OF INITIAL FOCUS ON
BECHTEL AND THAT FIRM'S UNIQUE AND LEADING POSITION HERE. IMPACT
ALL MORE SERIOUS IN THAT, IN ADDITION TO POINTS MADE REF A, AREA
OFFERING GREATEST PROSPECTS FOR COMMERCIAL EXPANSION HERE IS
INVOLVEMENT BY US FIRMS IN NEW PROJECT CONSTRUCTION RATHER THAN
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DIRECT
EXPORTS. FRB LETTER DISCOURAGING US BW
S FROM HONORING LETTER OF
CREDIT WITH BOYCOTT LANGUAGE LIKEWISE WILL HAVE SERIOUS IMPLICATIONS
HERE AFFECTING ENTIRE GAMUT OF COMMERCIAL RELATIONS.
AGAIN US COMMERCIAL INTERESTS IN UAE MAY SUFFER
MORE THAN ELSEWHERE IN THAT, WITH NUMBER OF "GIANTS" TIED UP IN
RICHER

MARKETS, WE HAVE BEEN SEEKING ATTRACT SMALL TO MEDIUM SIZE FIRMS (E.G.

HARBERT-HOWARD IN \$50 MILLION WATER PIPELINE CONTRACT) INTO PROJECTS HERE. AND THESE ARE JUST THE TYPE OF FIRMS, WITHOUT EXTENSIVE FOREIGN EXPERIENCE AND LACKING FACILITIES SUCH AS OFFSHORE BANKING CONNECTIONS, WHICH WILL BE MOST SERIOUSLY AFFECTED--AND QUICKLY DISCOURAGED--BY FRB ACTION. IN SHORT, IF CARRIED OUT AS CURRENTLY PROJECTED, WE BELIEVE RECENT ANTI-BOYCOTT MEASURES WILL HAVE SERIOUS ADVERSE EFFECT ON US COMMERCIAL INTERESTS IN UAE.

3. AS FOR IMPACT OF THESE ACTIONS ON UAE IMPLEMENTATION OF ARAB BOYCOTT OF ISRAEL, WE BELIEVE ANY HEAD-ON ATTACK WILL FAIL. EXCEPT POSSIBLY FOR CERTAIN SERVICES WITHIN THE OIL SECTOR, WE CANNOT IDENTIFY ANY CATEGORY OF US EXPORTS TO UAE WHICH IS ESSENTIAL TO LOCAL ECONOMY OR FOR WHICH ALTERNATIVE SOURCES OF SUPPLY ARE NOT READILY AVAILABLE. IT IS POSSIBLE THAT UAEG COULD BE PERSUADED TO REWORD SOME OF ITS BOYCOTT RESTRICTIONS--E.G. CURRENCY BOARD DIRECTOR SAID HE WOULD RAISE POSSIBILITY OF CHANGING LETTER OF CREDIT TERMS TO INCLUDE POSITIVE REQUIREMENT FOR CERTIFICATE OF ORIGIN RATHER THAN NEGATIVE DECLARATION OF NON-ISRAELI ORIGIN. BUT WE DO NOT BELIEVE THAT THIS GOVERNMENT WILL BE WILLING TO ALTER ANY OF ITS BASIC POLICIES TO OVERCOME EFFECTS OF RECENT USG (AND STATE) ACTIONS IN ORDER TO MAINTAIN US COMMERCIAL ACTIVITY HERE. QUITE THE CONTRARY, MORE BOYCOTT ISSUE IS EXPOSED IN PUBLIC, MORE IT IS LIKELY TO HAVE EFFECT OF CAUSING TIGHTENED APPLICATION HERE AS IN OTHER ARAB COUNTRIES, REGARDLESS OF ANY DIPLOMATIC ACTION WE CAN TAKE WITH HOST GOVERNMENT. IN LONG RUN IT IS ONLY ACTION ON ARAB-ISRAEL PROBLEM THAT WILL RESULT IN AMELIORATION OF BOYCOTT. IN SHORT TERM, BEST HOPE IS TO ATTEMPT TO ISOLATE AND GENERALLY MINIMIZE BOYCOTT ISSUE, ALLOWING INDIVIDUAL GOVERNMENTS TO LET DICTATES OF THEIR OWN COMMERCIAL INTERESTS PREVAIL

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IN FORM OF EXCEPTIONS TO AND BENDINGS OF BOYCOTT. THIS HAPPENS HERE ON CASE BY CASE BASIS ALL THE TIME AND WILL CONTINUE TO DO SO IF GIVEN CHANCE.

4. ON TACTICAL QUESTION OF WHETHER OR NOT TO DEAL WITH BOYCOTT OFFICIALS, WE TEND SHARE VIEWS OF BOTH DPT AND EMBASSY AMMAN (AMMAN 9907). WE CONSIDER STATE REF D ACCURATE SUMMARY OF PROS AND CONS OF ISSUE. WE AGREE WITH EMBASSY AMMAN THAT EVEN IN DEALING WITH OFFICIALS OF MOST ARAB GOVERNMENTS CAREFUL JUDGEMENT SHOULD BE EXERCISED LEST RAISING SUBJECT IN GIVEN CIRCUMSTANCES HAVE EFFECT OF TIGHTENING RATHER THAN LOOSENING APPLICATION OF BOYCOTT REGS.

5. GIVEN WHAT WE SEE AS HARMFUL EFFECTS ON US INTERESTS OF RECENT

ANTI-BOYCOTT ACTIONS, UNBALANCED BY ANY PROSPECTS THAT THEY WILL
WEAKEN BOYCOTT ITSELF, WE HAVE APPROACHED UAEG (A) TO INSURE
THAT IT HAS ACCURATE UNDERSTANDING OF WHAT HAS BEEN DONE IN WASHING-
TON AND (B) TO URGE THAT UAEG REACTION BE MUTED FOR
PRESENT, ALLOWING DUST TO SETTLE AND GIVE US TIME TO ATTEMPT OVERCOME
SITUATION WHICH COULD HAVE ADVERSE
EFFECT ON BOTH COUNTRIES.

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AMCONSUL JERUSALEM
AMEMBASSY TEL AVIV

C O N F I D E N T I A L SECTION 2 OF 2 ABU DHABI 2664

6. ON DECEMBER 20, AMBASSADOR BRIEFED MINISTER OF STATE
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FOR FOREIGN AFFAIRS SAIF GHUBBASH ON ANTI-BOYCOTT MEASURES.
(AMBASSADOR AND EMBOFF ALSO COVERED MUCH OF SAME GROUND IN
SEPARATE MEETINGS WITH DIRECTOR ABU DHABI DEPT OF FINANCE,
JOHN BUTTER AND DIRECTOR CURRENCY BOARD, RON SCOTT.) BEGINNING
WITH PRESIDENT'S PROCLAMATION, AMBASSADOR WENT OVER EACH OF
ACTIONS THUS FAR TAKEN BY VARIOUS AGANCIES, NOTING CLEAR INTENTION
OF USG TO ELIMINATE DISCRIMINATION AGAINST US CITIZENS BASED ON
RACE, RELIGION, OR NATIONAL ORIGIN, AND RENEWED FOCUS ON LONG-
STANDING POLICY OF DISCOURAGING US PRIVATE SECTOR FROM PARTICIPATING
IN BOYCOTTS AGAINST COUNTRIES FRIENDLY TO US. BUT WE ALSO MADE CLEAR
USG'S HOPES THAT BOYCOTT ISSUE COULD CONTINUE TO BE MANAGED IN SUCH
WAY THAT IT DID NOT SERIOUSLY IMPAIR COMMERCIAL RELATIONS WHICH BOTH
UAEG AND USG WOULD ACKNOWLEDGE AS ONE OF MOST IMPORTANT AREAS
OF MUTUAL INTEREST BETWEEN US.

7. GHUBBASH REACTED CALMLY AND DISPLAYED UNDERSTANDING OF
PLURALITY OF OPINION IN AMERICAN POLITICAL SYSTEM AND AUTO-
NOMOUS NATURE OF MANY FEDERAL AGENCIES. HE WAS AMENABLE TO AND
CONCURRED WITH AMBASSADOR'S SUGGESTION FOR AVOIDING IF POSSIBLE
PUBLIC COMMENT. GHUBBASH ALSO ACCEPTED FACT THAT USG CANNOT TOLERATE
DISCRIMINATION BASED ON RELIGIOUS OR NATIONAL ORIGIN. HE SAID THE UA
E
NEVER PRACTICES SUCH DISCRIMINATION EITHER COMMERCIALY OR WITH
VISA ISSUANCE. HE POINTED TO VISIT OF US BUSINESS LEADERS ORGANIZED
BY TIME-LIFE IN JANUARY, 1975, MAY OF WHOM GHUBBASH DESCRIBED
AS NOT ONLY JEWISH BUT PRO-ZIONIST AS WELL. GHUBBASH CONTINUED
THAT THE ISRAELI BOYCOTT WAS AN INTER-ARAB POLICY AIMED ONLY AT
THOSE FIRMS AND ORGANIZATIONS WHICH CONTRIBUTED TO ECONOMIC
STRENGTH OF ISRAEL. GIVEN FACT THAT UAE WAS SMALL COUNTRY IN
ARAB WORLD, GOVERNMENT BOUND TO FOLLOW OPINION OF ITS ARAB
BROTHERS IN THIS MATTER.

8. GHUBBASH DID NOT COMMENT ON COMMERCIAL IMPACT OF ANTI-
BOYCOTT MEASURES BUT HIS REASONED RESPONSE GIVES US ONLY A TEMPORARY
LULL. IF WE ARE TO AVOID CUTTING OFF OUR NOSES TO SPITE OUR FACE,
DEPT. MUST MAKE EVERY EFFORT TO BLUNT EXTREMES REPRESENTED BY
POSSIBLE ANTI-TRUST ACTION AGAINST BECHTEL AND ORIGINAL FRB ADVISORY
LETTER. CLEARLY CHALLENGING DISCRIMINATORY PRACTICES AIMED AT US
CITIZENS IS ESSENTIAL BUT ATTACKING HEAD ON (AS DISTINCT FROM NOT
ACCEPTING) ARAB BOYCOTT ITSELF CAN IN OUR VIEW ONLY BE LOSING PROPOSI
TION,

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NOT ONLY IN COMMERCIAL BUT IN POLITICAL SENSE AS WELL. ELEMENT OF MOVE-
MENT ON PART OF FRB APPEARS ENCOURAGING. WE HOPE THERE WILL BE MORE
OF SAME AND IN OTHER AREAS (E.E. ANTI-TRUST APPLICATION) AS WELL.
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